

Message Text

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STADIS//////////

FOR ASSISTANT SECRETARY MOOSE FROM AMBASSADOR

E. O. 11652: N/A
TAGS: EAID, XA, KE, SE
SUBJECT: FOOD AID FOR AFRICA

REF: STATE 082578

1. I APPRECIATE YOUR CLEAR AND STRONG SUPPORT FOR
EXPLORING MORE EFFECTIVE USE OF FOOD AID AS DEVELOPMENT
TOOL IN AFRICA. WHILE WE FIND LESS SCOPE AT THE PRESENT
TIME FOR SIGNIFICANT EXPANSION OF THIS INITIATIVE IN
KENYA, I HAVE BEEN EXPLORING FURTHER POSSIBILITIES IN
THE SEYCHELLES. THE FOLLOWING IS A SUMMARY ANALYSIS OF
FOOD NEEDS IN KENYA AND SEYCHELLES OVER THE NEXT COUPLE
OF YEARS AND OUR PLANNING FOR FY 1979 AND 1980.

I. KENYA

1. KENYA'S BALANCE OF PAYMENTS POSITION AND FOREIGN
EXCHANGE HOLDINGS ARE CONSIDERED FAVORABLE, DUE MAINLY
TO INCREASED RECEIPT FROM COFFEE, TEA, AND
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PAGE 02 NAIROB 05812 131631Z

A RESURGENCE IN TOURIST TRADE. IT IS REASONABLE TO
EXPECT THAT THIS ENVIABLE FINANCIAL SITUATION WILL
REMAIN FAVORABLE THROUGH THE END OF CY 1978 AND INTO
THE FIRST QUARTER OF CY 1979, BECAUSE OF EXTREMELY
FAVORABLE WEATHER CONDITIONS FOR AN EVEN LARGER
OUTTURN OF COFFEE AND TEA. THE UNKNWON, OF COURSE,
ARE THE PRICES EXPECTED FOR TEA AND COFFEE DURING

THE MAIN EXPORTING SEASON(JANUARY-APRIL) AND TOURIST RECEIPTS DURING THE HIGH SEASON.

2. ABUNDANT RAIN TOGETHER WITH THE GOVERNMENT'S AGRICULTURAL PRICING SYSTEM, WHICH GREATLY FAVORS CORN PRODUCTION, HAS RESULTED IN CORN SUPPLIES THAT PRESENTLY STAND IN EXCESS OF ONE YEAR'S NEEDS. CONSEQUENTLY KENYA'S FOOD IMPORT REQUIREMENTS FOR FY 1979, OTHER THAN WHEAT, ARE NIL.

3. INTENSIVE RAINFALL DURING THE MAIN WHEAT HARVEST CAUSED DEVASTATING LOSSES IN THE YEAR'S WHEAT OUTTURN, AND WHEAT IMPORT REQUIREMENTS NOW ARE ESTIMATED TO TOTAL 110,000 M.T. FOR 1977/78 CROP YEAR, UP 50,000 M.T. FROM EARLIER ESTIMATES. IN FACT, THE WHEAT BOARD IS PRESENTLY TENDERING FOR THE 50,000 M.T. SHORTFALL FOR JUNE/JULY 1978 DELIVERY. ALL WHEAT TRANSACTIONS ARE CASH SALES, OTHER THAN 2,500 M.T. OF DONATED WHEAT FROM THE EEC.

4. IN TOTO, FOOD IMPORT REQUIREMENTS FOR FY 1979 WILL BE NEGLIGIBLE, OTHER THAN WHEAT REQUIREMENTS, WHICH EVEN GIVEN FAVORABLE WEATHER CONDITIONS WILL RUN A DEFICIT OF ABOUT 60-75,000 M.T. ANNUALLY. THE WHEAT BOARD PREFERS, AT PRESENT, TO IMPORT ITS REQUIREMENTS ON A CASH BASIS.
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PAGE 03 NAIROB 05812 131631Z

5. IT WOULD BE DIFFICULT TO PROGRAM ANY SIGNIFICANT QUANTITIES OF P.L. 480 FOOD FOR KENYA IN FY 1979 UNDER TITLE I AND III.

6 OWING TO THE VAGARIES OF WEATHER AND AN AGRICULTURAL SECTOR VIRTUALLY DEPENDENT ON RAINFALL, THIS MISSION WOULD PREFER A "HOLD" ON POSSIBLE PROGRAMMING OF P.L. 480, TITLE I AND III FOR FY 1980. SHOULD THE WEATHER ABRUPTLY CHANGE TO DROUGHT CONDITIONS, WE WOULD HOPE THAT U.S.D.A. P.L. 480 ALLOCATIONS WOULD BE FLEXIBLE TO ALLOW PROGRAMMING OF FOOD SUPPLIES INTO KENYA FOR THAT YEAR.

7. THE AMOUNT OF FOOD PROGRAMMED FOR KENYA'S TITLE II NEEDS FOR FY 1979 SHOULD BE AT THE SAME LEVEL PROGRAMMED FOR FY 1978, PROVIDED THE WEATHER REMAINS FAVORABLE. AGAIN, WE WOULD PREFER A "HOLD" ON TITLE II REQUIREMENTS FOR FY 1980.

88. SEYCHELLES

1. AT PRESENT, WORK IS UNDER WAY TO DEVELOP A P.L. 480, TITLE III PROGRAM FOR THE SEYCHELLES. AGRICULTURAL DEVELOPMENT PROGRAMS HAVE BEEN IDENTIFIED, AND EARLY INDICATIONS ARE THAT THESE PROGRAMS FALL WITHIN THE GUIDELINES SET FORTH IN THE NEW PROVISIONS OF TITLE III.

2. THE PROGRAM FOR THE SEYCHELLES IS SET FOR A 5-YEAR IMPORTATION OF THE FOLLOWING COMMODITIES, KEEPING IN MIND THAT SOME FLEXIBILITY IS NECESSARY FOR LATER YEARS BASED ON RESULTS OF THE FIRST AND/OR SECOND YEAR.

THE FOLLOWING ARE ANNUAL REQUIREMENTS:

A. WHEAT FLOUR 1,400 M.T.

B. RICE 6,000 M.T.

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PAGE 04 NAIROB 05812 131631Z

VEG OIL 400 M.T.

D. STOCK FEED(GRAIN SORGHUM OR CORN) 3,000 M.T.

VALUE OF ANNUAL REQUIREMENTS ARE:

A. WHEAT FLOUR, BAGGED AT \$195 M.T. \$ 273,000

B. RICE, MILLED NO. 2 MED. GR., 2,130,000

FOUR PERCENT BROKEN AT \$16.10 CWT.

C. VEG OIL, REFINED, SOYBEAN AT \$826.00 M.T. 330,400

D. GRAIN SORGHUM NO.2 YELLOW AT \$102.10 M.TM 306,400

OR CORN, NO.3 YELLOW AT \$114.15 M.T. E42,450

TOTAL INCLUDING GRANS SORGHUM ONLY \$ 3,039,700

TOTAL INCLUDING CORN ONLY \$3,075,850

3. THE ABOVE VALUES ARE DERIVED FROM US PRICES PREVAILING MARCH 31, 1978 AT FOB OR FAS POSITIONS, GULF PORTS.

4. OUR AIM IS TO INITIATE THE FIRST P.L. 480 TITLE III SHIPMENT BEFORE THE END OF FY 1978 AND PROGRAM FULL ANNUAL REQUIREMENTS OVER THE NEXT FIVE FISCAL YEARS. HOWEVER, IN VIEW OF ANTICIPATED PROBLEMS, THE GOAL TO BEGIN SHIPMENTS IN FY 1978 MAY NOT BE MET.

5. IT SHOULD BE POINTED OUT THAT IN ATTEMPTING TO BRING THIS PROGRAM TO FRUITION WE ARE ENCOUNTERING THREE PROBLEM AREAS:

A. OCEAN FREIGHT FROM GULF PORTS TO THE SEYCHELLES IS ESTIMATED AT AN ASTRONOMICAL \$214 M.T., LINER RATE. BASED ON ANNUAL P.L. 480 SHIPMENTS OF 10,800 M.T., OCEAN SHIPPING CHARGES WOULD AMMOUNT TO APPROXIMATELY \$2,311,000 PAID BY THE GOVERNMENT IN ORDER TO RECEIVE FOOD ITEMS WITH A TOTAL ANNUAL VALUE OF SLIGHTLY IN EXCESS OF \$3 MILLION. HENCE, NET FUNDS AVAILABLE FOR URGENTLY NEEDED AGRICULTURAL DEVELOPMENT PROGRAMS LIMITED OFFICIAL USE

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PAGE 05 NAIROB 05812 131631Z

APPROXIMATE ONLY \$700,000 ANNUALLY. IT WOULD BE DIFFICULT TO VIEW THIS AS AN ATTRACTIVE PROGRAM FOR THE GOVERNMENT OF THE SEYCHELLES.

B. THE PROVISIONS OF USUAL MARKETING REQUIREMENTS (UMR) MAY BE MOST DIFFICULT TO MEET, BECAUSE OF THE HIGH COST OF OCEAN SHIPPING, WHICH IS A DOLLAR PAYMENT.

6. THE ANIMAL FEED REQUIREMENTS ARE A NECESSARY INPUT COMPONENT OF ONE PHASE OF THE REPUBLIC'S AGRICULTURAL DEVELOPMENT SHCEME. ANIMAL FEEDSTUFFS, I.E. CORN, SORGHUM, AND PROTEIN MEAL, CANNOT BE PROGRAMMED UNDER P.L. 480. WE FAIL TO UNDERSTAND THE LOGIC OF THIS RULING.

6. IT IS OUR UNDERSTANDING THAT THE RECENT CONGRESSIONAL AMENDEMENTS TO P.L. 480 HIGHLIHGTED THIS PROGRAM AS AN IMPORTANT TOOL FOR THE DEVELOPING COUNTRIES TO USE AS A MEANS OF UPLITFING THEIR OWN AGRICULTURAL SECTOR. YET, WE KEEP RUNNING INTO THE KINDS OF DIFFICULTIES OUTLINED ABOVE THAT COULD SEVERELY RESTRICT OUR EFFORTS TO ORGANIZE A VIABLE TITLE II PROGRAM FOR THE SEYCHELLES. IT IS OUR CONCLUSION THAT P.L. RIP APPEARS TO BE AT CROSS PURPOSES WITH ITS INTENTIONS.

7. TITLE II REQUIREMENTS FOR THE SEYCHELLES IN FY 1979 AND FY 1980 ARE ESTIMATED AT ABOUT THE SAME LEVEL AS IN FY 1978.
DECON APRIL 13, 1980.
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